

FILED  
DW-3004

ORIGINAL

**Sherwood Enterprises, Inc. d/b/a**  
**Sherwood Utilities Company - Application**  
**for approval of an increase in its water and**  
**sewer rates and charges.**



**Docket No. 2003-276-W/S**

RETURN DATE: 01/29/04  
SERVICE: 01/29/04

**Direct Testimony**  
**William O. Richardson**  
**Utilities Department**

**Public Service Commission of South Carolina**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

2 A. William O. Richardson, 101 Executive Center Drive, Columbia, South Carolina  
3 29210. I am employed by the Public Service Commission of South Carolina,  
4 Utilities Department, as Chief of the Water and Wastewater Area.

5 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**  
6 **EXPERIENCE.**

7 A. I received a Bachelor of Science Degree in Electrical and Computer Engineering  
8 from Clemson University in 1975. After graduation I was employed by Daniel  
9 Construction Company as an Electrical Engineer in the Power Division. In  
10 1978 I was employed by this Commission as an Engineer Associate II. In  
11 December 2002 I was promoted to Chief of the Water and Wastewater area.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
13 **PROCEEDING?**

14 A. The purpose of my testimony is to set forth, in summary form, the Staff's  
15 findings relative to the determination of the amount of additional operating  
16 revenues that would result from the implementation of the proposed  
17 schedules of rates and charges.

18 **Q. I SHOW YOU THE REPORT, TITLED, "COMMISSION STAFF REPORT,**  
19 **SHERWOOD UTILITIES COMPANY, SOUTH CAROLINA PUBLIC**  
20 **SERVICE COMMISSION, DOCKET NO. 2003-276-W/S." ARE THE**  
21 **FINDINGS OF YOUR REVIEW CONTAINED IN THIS REPORT?**

22 A. Yes, they are contained under the Utilities Department tab.

23 **Q. PLEASE EXPLAIN HOW YOU COMPILED THE INFORMATION IN YOUR**  
24 **REPORT.**

25 A. By using the information provided by the Company in its Application, Staff  
26 was able to determine the amount of additional operating revenues which  
27 would be produced by the proposed rates.

28 **Q. PLEASE EXPLAIN EXHIBIT NO. 1 OF YOUR REPORT.**

29 A. Exhibit No. 1, page 1, is a summary of the currently approved rates and the  
30 proposed rates.

31 **Q. PLEASE EXPLAIN EXHIBIT NO. 2 OF YOUR REPORT.**

1 A. Exhibit No. 2, on page 2 of the report summarizes the effect of the present  
2 and proposed rates on the Company's operating revenue. Under the present  
3 rates approved for the Company, the present revenue annualized is \$38,515.  
4 Using the proposed rates, the Company would receive \$88,136, resulting in  
5 an increase of \$49,621 or an increase of 128.84%.

6 **Q. PLEASE EXPLAIN EXHIBIT NO. 3 OF YOUR REPORT.**

7 A. Exhibit No. 3, on page 3, summarizes the effect of the proposed rates and  
8 charges on a customer's monthly total water and sewer bill. The requested  
9 increase in a customer's total water and sewer bill will be \$25.88 or 130.18%.

10 **Q. PLEASE EXPLAIN EXHIBIT NO. 4 OF YOUR REPORT.**

11 A. Exhibit No. 4, on pages 4 through 6, is a review of service provided by the  
12 Company and the Business Office Compliance Review Report.

13 **Q. PLEASE EXPLAIN EXHIBIT NO. 5 OF YOUR REPORT.**

14 A. Exhibit No. 5, on page 7, is Staff's Analysis of the Company's request to  
15 become a submeterer.

16  
17 The following two pages (pages 8 and 9) are submitted by the Company in  
18 order to support their claim to be considered a submeterer as described in  
19 Commission Docket No. 2001-485-W/S - Rule to Show Cause on  
20 Submeterers, Order No. 2003-214 - "ORDER DENYING AND DISMISSING  
21 RULES TO SHOW CAUSE AND VACATING ORDER."

22  
23 The Company owns two Mobile Home Parks which are governed by the  
24 South Carolina Residential Landlord Tenant Act. The Company has  
25 requested that Sherwood Utility Company be released from the classification  
26 of a utility company and be reclassified as a submeterer. The request is  
27 based on the fact the Company does not take possession of the water and  
28 only re-meters it along with performing the billing function and those  
29 functions do not make it a "public utility" for purposes of regulations by the  
30 Commission. The Company is supplied water by the Charleston Commission  
31 of Public Works and sewer service by the North Charleston Sewer District.

Each park has a master meter and the company in turn bills their mobile home tenants from individual meters that Sherwood has installed at each space. The Company does not process any water or sewer.

Based on Staff's interpretation of Order No. 2003-214, a submeterer is entitled to recover the cost associated with purchased water and sewer service and this can easily be done through a pass-through. Specifically, page 10, paragraph 2 states "A preponderance of the evidence in this matter demonstrates that submeterers of water and wastewater services do not meet the statutory definition of a "public utility" and should not therefore be regulated by this Commission as jurisdictional utilities, in that such submeterers do not actually "furnish or supply" the commodity, but merely measure the amount of flow of water or wastewater and provide billing functions. See testimony of Staff witness Richardson, wherein he stated that other states do not regulate submeterers because they do not "take possession of the water."

It is Staff's belief that the Order does not address expenses other than the cost of the commodity. In order for the Company not to be a utility, any expenses other than the cost of the commodity (water and/or sewer service from the Charleston Commission of Public Works and North Charleston Sewer District) would have to be rolled into the expenses and profit expectations associated with establishing the rental charges of the mobile home spaces.

**Q. PLEASE EXPLAIN EXHIBIT NO. 6 OF YOUR REPORT.**

A. Shown on Exhibit No. 6, on page 10, are various revenue requirements along with the applicable monthly water and sewer service rates that would be required to produce that revenue. The respective range of alternative operating margins for 0.00%, 5.00%, 10.00%, and 15.00% are shown for Audit Exhibit A. The Audit Department calculated the revenue requirement

1 for the alternative operating margins. The Utilities Department calculated the  
2 alternate rates that would produce the revenue requirement.

3 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

4 **A.** Yes it does.  
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